

# **Testimony of Adolfo A. Franco, Assistant Administrator, Bureau for Latin America and the Caribbean United States Agency for International Development**

## **Latin America and the Caribbean Overview**

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Mr. Chairman, Members of the Committee, it is a pleasure to appear before the Senate Committee on Foreign Relations to discuss with you how USAID's Bureau for Latin America and the Caribbean (LAC) is promoting the President's vision for the Western Hemisphere.

The countries of the Western Hemisphere have a shared destiny by virtue of geography, history, culture, demography, and economics. As stated by Secretary Powell in September 2003, "there is no region on earth that is more important to the American people than the Western Hemisphere." A prosperous LAC region provides expanded opportunities for increased trade, and a peaceful hemisphere is paramount to our national security. USAID is fulfilling its development and humanitarian mandate in LAC countries as it continues to respond to the U.S. National Security Strategy, which, as stated by President Bush, links "the future of our Hemisphere to the strength of three commitments: democracy, security and market-based development."

On balance, political stability has greatly increased over the last several decades and governments have shifted from mainly authoritarian rule to representative and constitutional democracies. Throughout the region, official human rights abuses have diminished, civil society oversight of public institutions is increasing, and elections are held under the management and supervision of professional electoral commissions. Governments are taking steps to stamp out corruption, establish mechanisms for transparency and accountability, and attract foreign investment.

The region's economic situation is improving and LAC countries are closer to trade liberalization and integration with their neighbors than they have ever been. The World Bank and the U.N. Commission for Latin America and the Caribbean estimate that the region's gross domestic product (GDP) grew by 1.5% in 2003 (slightly more than the population growth rate of 1.3% - 1.4%), compared with a 0.4% - 0.8% contraction in 2002. Those LAC countries that have adopted sound fiscal policies and oriented their economies toward greater foreign investment and rules-based trade proved more resilient to the recent global economic downturn than those that did not take such outward-looking, market-based steps. The region's GDP is expected to continue to expand by 3.5% in 2004, with growth predicted across the region. However, the region's economic recovery rate is still not enough to reverse the effect of recent years of economic stagnation. Approximately 44% of the region's population lives under the poverty line of two dollars a day, and unemployment averages 10.7%, with underemployment significantly higher.

## **Continuing Challenges in LAC**

Despite gains in human rights and democracy, and increased economic linkages across the region, threats to the development achievements of the last decade persist. Popular dissatisfaction with tepid economic growth, public sector inefficiencies, and failure by elected governments to perform effectively and responsibly have led to numerous setbacks - economic instability and political crisis in Venezuela, abysmal poverty and alarming levels of political instability, and violence in Haiti, and growing civil unrest in the Dominican Republic. President Bush noted that "... when governments fail to meet the most basic needs of their people, these failed states can become havens for terror ... No amount of resources transferred or infrastructure built can compensate for - or survive - bad governance." (March 2002). Thus, sustained efforts by the United States to work in partnership with our neighbors are essential to promote democratic and economic integrity in the Western Hemisphere.

Great inequities remain in access to and delivery of quality health care and education. These impediments weaken

economic growth, labor productivity, and the ability to compete globally. Maternal and neonatal mortality rates remain unacceptably high, and resistance to accessible medicines is on the rise. The LAC region has the second highest HIV/AIDS rate in the world, with over two million people living with HIV, including the estimated 200,000 that contracted the deadly virus in 2003. Diseases such as dengue and malaria are posing an emerging threat as well. In education, nearly one-half of the children who enter primary school fail to make it to the fifth grade, and only about 30% graduate from secondary school. Access to education especially affects poor, rural, and indigenous children, particularly girls.

The lack of effective rule of law threatens business interests and puts citizens, including Americans, at risk. Narcotics wealth gives large trafficking organizations a practically unlimited capacity to corrupt. In economically weak countries, the drug trade's wealth makes it a great threat to democratic government. Terrorist organizations overtly seek to topple governments by force, while drug syndicates undermine them surreptitiously from within. In recognition of this threat, the U.S. government is committed to improving security overseas so that threats never arrive on our shores. This calls for targeted foreign assistance and complementary institutional reform programs in countries where organized crime exploits weak governance, especially in the justice sector.

## **USAID priorities in the LAC Region**

USAID's strategic priorities in the LAC region are to: 1) improve good governance and reduce corruption; 2) increase economic growth and free trade; and 3) reduce narcotics trafficking. These themes give paramount importance to the implementation of policies that address key constraints to development, with the overarching goal of advancing the U.S. foreign policy agenda. In addition, USAID is addressing critical transnational issues such as HIV/AIDS and other infectious diseases, a deteriorating natural resource base, and trafficking in persons.

## **Democracy and Governance**

LAC will continue to expand its support for deepening democracy, concentrating on issues of anticorruption, government transparency and accountability, and human rights. Fragile and politically troubled states such as Bolivia, Haiti, and Venezuela will continue to receive special attention.

Justice sector modernization remains the largest focus of USAID governance programs in the LAC region. In addition, governance programs promote accountability and transparency in government institutions; increase the capacity of local governments to manage resources and provide services; and strengthen civil society organizations to advocate for citizens' rights.

Without a reliable and fair justice system, investor confidence and a stable trade environment are jeopardized. Likewise, impunity for crime and corruption undercuts social and economic growth. USAID efforts to advance criminal justice reform, strengthen judicial independence, expand access to justice, and improve administration of justice are underway in 12 LAC countries. New criminal procedure codes and other criminal justice system reforms, developed and enacted over the last decade with USAID support in Nicaragua, Honduras, Guatemala, El Salvador, Bolivia, Colombia, and the Dominican Republic, are introducing profound changes. USAID is helping the government of Peru to increase judicial accountability by introducing reforms to make judicial selection more transparent and improve oversight of the courts. In Colombia, USAID has established oral procedures in a reformed criminal justice system, strengthening the public defense system to guarantee due process, expanding access to community-based legal services, and promoting widespread use of alternative dispute resolution mechanisms.

New efforts in justice reform are examining commercial codes. This fiscal year, USAID helped the Nicaraguan Chamber of Commerce launch a joint initiative with the government of Nicaragua to draft an alternative dispute resolution law aimed at providing an accessible mechanism that meets international standards for resolving commercial disputes. This law will help prepare Nicaragua for CAFTA implementation by improving the environment for trade and investment.

USAID anticorruption programs in 15 countries emphasize citizen oversight and build local capacity to attack weak governance, entrenched political institutions, and poor public sector management. USAID provides assistance to citizens groups and nongovernmental organizations to devise anticorruption plans and monitor government officials and agencies. USAID supports local initiatives to establish special commissions and investigative units to expose and prosecute cases of corruption by public officials. The United States is the only country providing help to the Dominican Republic in handling the complex bank fraud cases currently under investigation and in the courts. USAID helped establish a coalition of over 50 Dominican civil society organizations which is actively engaged in ensuring that the Baninter and other bank fraud cases are investigated and prosecuted.

With direct election of local mayors and devolution of authority to municipalities, USAID is helping citizens and elected leaders devise community development plans that respond to local needs and generate growth. In 14 countries USAID helps mayors establish transparent accounting and fiscal management procedures to create a framework for greater revenue generation for roads, schools, health centers, and job creation. In turn, citizens monitor the use of public funds and devise "social audits" to track spending in accordance with local development plans and to hold officials accountable. USAID provided assistance to national and local Colombian government entities to standardize accounting and internal financial control systems according to international standards, as well as assistance to 100 citizen oversight groups to oversee close to \$1.5 billion in public funds. Colombia's ranking in the Transparency International Corruption index improved 17% between 2000 and 2003, the greatest improvement among the more than 40 medium and low-income countries surveyed.

## Economic Growth

USAID is assisting LAC countries to enact legal, policy, and regulatory reforms that promote trade liberalization, hemispheric market integration, competitiveness, and investment, which are essential for economic growth and poverty reduction. USAID's trade capacity building programs focus on helping LAC countries to prepare for trade negotiations and implement obligations stemming from trade agreements such as sanitary/phytosanitary measures, customs reform, and intellectual property rights. In addition, USAID works with the region's smaller economies to help them join the global trading system by developing specialty markets and providing assistance for business development and rural product diversification. Increased support is envisioned to respond to increasing demands for assistance.

Although economic growth is still weak, governments increasingly understand the benefits of free trade and are willing to take steps to make it happen. The recent signing of the U.S.-Central American Free Trade Agreement (CAFTA) demonstrates the commitment by Guatemala, Honduras, Nicaragua, El Salvador, and Costa Rica to implement policy, trade, and economic growth reforms. We are currently working with the Dominican Republic so they can join this important agreement. Lessons learned from Mexico and shared with the Central American countries indicate that more open trade leads to improved policies, export diversification, political reform, stable exchange rates, increased foreign direct investment, employment generation, greater public investments in the social sector, and a more open society.

Under the Free Trade Area of the Americas (FTAA) process, the Western Hemisphere countries are working together to implement the FTAA Hemispheric Cooperation Program (HCP). Under the program the smaller economies and developing countries of Latin America and the Caribbean have prepared national trade capacity building (TCB) strategies that USAID and other resource partners are using to effectively target TCB assistance in line with country priorities. USAID worked very closely with USTR, other USG agencies, and donors to launch the first HCP donor-country coordination meeting last October in Washington. USAID has also worked closely with this group to provide support for specific FTA negotiations with the Dominican Republic, Panama, Peru, and Colombia scheduled for 2004. In order to support this important process, sustained TCB funding will be paramount.

In FY 2003, USAID provided technical assistance and training in support of CAFTA negotiations to Central American government officials, and assisted Bolivia, Peru, Guyana, and Suriname to prepare national trade capacity building strategies. USAID also assisted governments in Central America, the Caribbean, and Brazil to raise the public level of understanding about the benefits of free trade under CAFTA and the Free Trade Area of the Americas (FTAA). In coordination with the Government of Nicaragua, USAID implemented a public outreach program to disseminate information about CAFTA negotiations, as well as the opportunities and challenges associated with free trade. An opinion poll, taken a few months after the program began, showed that awareness of CAFTA among those surveyed increased from 2% to 82%. In addition, USAID support was instrumental in ensuring a highly successful round of CAFTA negotiations hosted by Nicaragua in September 2003.

The progress with CAFTA bodes well for the success of the Free Trade Area of the Americas (FTAA), which will further strengthen and expand economic partnership in the Americas, a vast market of over 800 million people producing nearly \$14 trillion in goods and services every year. For example, the political and economic liberalization encouraged by the United States and successfully adopted by El Salvador has made El Salvador a model for post-conflict developing countries. The United States is El Salvador's most important trading partner, receiving 67% of its exports and providing 50% of its imports. By promoting prosperity in El Salvador through USAID programs and mechanisms such as CAFTA, the United States can help strengthen the Salvadoran economy, thereby improving the living standards of Salvadorians and reducing the number that feel the need to escape poverty by moving to other countries, such as the United States.

USAID has played a major role in helping the U.S. Government shape and launch the FTAA Hemispheric

Cooperation Program. USAID will use the NAFTA and CAFTA experience to help the hemisphere reach agreement on FTAA by the end of 2005. In the Caribbean, a sub-region with small island economies that lack diverse sources of income, USAID is conducting outreach programs that describe the benefits of free trade, providing assistance for small business development, and assisting eight Caribbean Community (CARICOM) countries to prepare national trade capacity building strategies and achieve a Caribbean Single Market and Economy by 2005. In Jamaica, USAID is helping the private sector to identify and address key regulations and legislation that constrain business operations. Two improvements made last year include a new electronic payment system introduced at the Jamaica Customs Department that allows importers and brokers to make direct payments through the bank, and an electronic manifest transmission system implemented by the Shipping Association of Jamaica to make this process more efficient. The United States is working with the Government of the Dominican Republic to have it become an active partner in CAFTA.

USAID has also developed a regional program to help Andean Community countries address rules of trade and competitiveness issues, including customs reforms, sanitary and phytosanitary measures, and competition policy. USAID has begun an aggressive program in Peru to improve the regulatory and institutional framework to facilitate trade and investment and help Peru's private sector take advantage of the Andean Trade Preferences and Drug Eradication Act, and prepare for FTAA accession. Our Mission in Peru, which is managing the regional program, is coordinating closely with the USAID missions in Bolivia, Colombia, and Ecuador to ensure that USAID regional and bilateral support for TCB effectively responds to the needs that these countries have articulated in their national strategies.

In response to the coffee crisis in Central America, consequent to the devastating drought in 2001 and the decline in coffee prices, USAID helped Central American coffee farmers apply best practices to increase sales to the high-value, niche coffee market through expanded partnerships with U.S. and European coffee traders and roasters. This project is resulting in increased rural competitiveness, incomes, and employment, all crucial to poverty reduction. USAID's programs to help farmers diversify agricultural production, increase yields, and obtain better access to markets helped Nicaraguan producers to meet local, regional, and international market demand for various products, and generated more than \$17.5 million in sales during FY 2003. In Honduras, USAID support for technology transfer and training in market-led production and post-harvest handling successfully linked small-scale growers, processors, exporters, and supermarkets. This assistance has generated \$31 million in new sales, and increased small farmer incomes by an average of 177%. Success is evidenced by an almost \$4 million increase in exports of the main seasonal crops.

Numerous USAID programs support development of regulatory frameworks and innovative approaches to widen and deepen financial intermediation in the small and microenterprise sector. As a result, marginalized business people have greater access to borrowing capital, increasing the number of self-employed entrepreneurs, especially women, and their profitability. USAID's demonstrated successes in microfinance have made other prominent donors eager to replicate its approaches. One of several microfinance models developed through USAID support in Haiti has been internationally touted as exceptionally innovative and well-directed, and our microfinance models have been adopted by local commercial banks.

USAID is also working with governments to improve economic policies. USAID technical support to the Nicaraguan National Assembly on economic policy contributed to the passing of the Law on Tax Equity, which allowed the Government of Nicaragua to collect \$366 million in taxes in 2003, which was 23% above 2002 collections.

USAID is supporting cutting-edge efforts to increase the developmental impact of remittances to the LAC region, which were estimated at \$32 billion in 2003 - more than all other development assistance combined. A pilot program supports the development of a remittance transfer service between Caja Popular Mexicana and credit unions in Texas and California. The program taps into one of the largest sources of private capital flowing into Mexico and should both lower transfer costs and leverage remittances as savings and productive investment. USAID's pioneering efforts have influenced other regional institutions such as the Inter-American Development Bank, which has unveiled a plan that would allow relatives of U.S. migrant workers to use remittances as collateral for real-estate loans in their home countries. The program is expected to begin later this year, on an experimental basis in Mexico, Colombia, Ecuador, and El Salvador. On average, relatives of migrants in those countries will be eligible for loans up to \$25,000 to buy a home, start a business or pay for school.

Overall, USAID is programming its development assistance in the LAC region to help our trading partners to prepare for trade negotiations, and implement trade agreements. Additionally, USAID-supported programs help to ensure that all USAID investments in areas such as small business development and rural diversification maximize the economic growth and poverty reduction benefits from their participation in free trade.

USAID is implementing the President's Initiative against Illegal Logging, which seeks to address the negative impacts of the illegal timber trade on economic, social, and political stability. In Peru, where illegal loggers have developed a symbiotic relationship with resurgent terrorist groups in remote areas, USAID is supporting national efforts to enforce laws and regulations related to protected areas, assisting communities to manage forests and certify wood products, and promoting alliances with U.S.-based mahogany retailers and Peruvian mahogany exporters. In Brazil's Amazon Basin, a largely unexplored biodiversity treasure, USAID is helping to develop management systems that maintain a balance between development and protection of natural resources. Other USAID programs have contributed to the conservation of millions of hectares of land and passage of key laws such as the Special Law for the Galapagos. USAID's sustained support helped develop sustainable timber harvest, and reduced significantly the rate of deforestation in several South American protected reserves.

## **Investing in People**

The U.S. Government is a key player in combating the HIV/AIDS pandemic. President Bush, speaking to Congress in April of last year, said the fight against AIDS is "integral to our nation's security" and called HIV/AIDS a "threat to the stability of entire countries and regions of our world." USAID's HIV/AIDS programs work with governments, non-governmental organizations, and the private sector in six main areas: awareness and prevention; care and treatment; epidemiological surveillance; capacity building; developing legislation that forbids discrimination against people living with HIV/AIDS; and program coordination to ensure a coordinated multi-sectored, multi-donor response.

Adult HIV/AIDS prevalence rates in the Caribbean Basin are second only to those in Sub-Saharan Africa. HIV/AIDS affects the most economically productive segment of the population and the economy as a whole. For example, in Jamaica, complications from AIDS are the leading cause of death in men and women between 30 and 34 years of age. As a result of USAID assistance, affected countries are more willing to openly discuss HIV/AIDS. Haiti and Guyana, two Presidential priority countries in LAC, have initiated national programs to prevent mother to child transmission of HIV/AIDS. This year alone, USAID established 22 new voluntary counseling and testing and prevention of mother to child transmission centers across Haiti, giving rural Haitians access to services previously available only in select areas.

USAID has made significant progress in raising vaccination coverage and reducing or eliminating major childhood illnesses such as measles. While progress is being made to apply proven, cost-effective protocols for combating malaria, tuberculosis, and other infectious diseases, rates remain unacceptably high. Because diseases do not respect geographic boundaries and due to the high numbers of legal and undocumented immigrants to the United States, USAID's health-related assistance to LAC countries is critical to the security and health of the United States.

The quality and relevance of primary and secondary schooling in LAC countries continue to cause concern, as the majority of students attend weak and under funded schools and fail to acquire basic skills in mathematics, language, and science. Fewer than 30% of students in the region complete secondary school, and many of those who do finish lack the skills to compete in the workplace, let alone in an increasingly competitive global economy. USAID education and training programs are improving educational systems by developing innovative pilots and more effective service delivery models, many of which are being expanded by host governments and multilateral development banks. USAID will continue to improve the skills of teachers and administrators through the Centers of Excellence for Teacher Training, an initiative announced by President Bush in April 2001. Three sub-regional training networks established in Peru, Honduras, and Jamaica will train up to 15,000 teachers who will serve 600,000 students. USAID has been a leader in education policy reform through efforts such as the Partnership for Educational Revitalization in the Americas. In addition, USAID is supporting advancements in workforce training and helping youths prepare to enter the workforce. For example, USAID's Training, Internships, Exchanges, and Scholarships program in Mexico is enhancing the capacity of Mexican scholars and institutions to respond to the emerging U.S./Mexico Common Development Agenda.

## **Alternative Development**

The scourge of narcotics threatens the social and economic fabric of the Andean countries and poses a threat to the United States. Despite bold efforts by Colombia, Bolivia, and Peru to combat narco-trafficking, the lack of a state presence in some areas has allowed illegal narcotics production and armed terrorist organizations to continue to flourish. Drug-related spillover crime makes Ecuador's northern border with Colombia vulnerable. Further, experience has shown that intensive eradication efforts by one country increase pressure by the narco-trafficking industry in another. Alternative development programs emphasize licit crop production; rural competitiveness; improved social, physical, and productive infrastructure; access to fair justice; and an increased state presence in



coca-growing regions. USAID is working in partnership with the Andean region's leadership, who are actively pursuing policies to fight narco-terrorism and expand the reach of government and rule of law.

In Bolivia, USAID is providing viable income-earning alternatives to coca cultivation and developing sustainable infrastructure, national and export markets, and organizations to ensure sustained economic growth in coca-growing regions. Successful new strategies have increased domestic sales and exports from the Chapare. In 2003, banana exports rose by more than 30% and pineapple exports increased 250%. In the Yungas, more than 5,100 farmers improved their coffee harvest and post-harvest techniques, thereby increasing their incomes by an average of almost 40%.

Radio, press, and face-to-face communications have convinced over 15,000 families to enter agreements with the Government of Peru to voluntarily eradicate their coca and remain coca free. Between October 2002 and December 2003, Peru's newly established voluntary coca eradication program resulted in the elimination of 5,445 hectares, with 459 communities and over 19,000 families participating in the program. Voluntary eradication constituted 40% of total eradication for CY 2003, and approximately 40% of that was high density or managed productive coca, the same amount obtained previously through forced eradication.

Since some coca growing areas are not suitable for sustainable agriculture due to agronomic or security reasons, USAID works with the private sector to increase licit income opportunities, making coca production less attractive. In Colombia, the combined tactics of eradication, interdiction and alternative development resulted in a coca crop reduction of 37.5% between 2000 and 2002 and an additional 43% between 2002 and 2003, exceeding Plan Colombia goals. In addition, USAID completed 406 social infrastructure projects, including construction of roads, bridges, schools, and water treatment facilities, in 13 municipalities to provide short-term employment and access to markets necessary to sustain a licit economy.

## Special Emphasis Countries

**Haiti.** The United States is the largest donor in Haiti, providing roughly one third of the total bilateral and multilateral assistance last year. USAID's assistance has been focused on humanitarian assistance, including alleviating poverty and food insecurity, increasing access to health care by the majority of underserved Haitians, fighting HIV/AIDS, generating rural competitiveness-based employment, and strengthening civil society. USAID is closely monitoring the humanitarian impact of the current political crisis that has led to the resignation of President Aristide. Haiti's Supreme Court Justice Boniface Alexandre was sworn in as the interim president as stipulated in the Haitian constitution. USAID is working closely with other agencies and implementing partners to develop a post-conflict program strategy. This strategy will ensure the provision of emergency relief, continue to provide improved basic services, and generate employment over the immediate, short and medium-term. Also, USAID is cooperating with other donors to jointly identify long-term priorities.

**Colombia.** USAID will continue to support President Uribe's new Democratic Security and Defense Policy aimed at guaranteeing the security, freedom and human rights of the population, consolidating state control over national territory, eradicating drug trafficking, defending democratic order and the rule of law, promoting economic prosperity and social equality, and reconstructing the social fabric.

Colombia has one of the largest internally displaced persons (IDP) populations in the world (about 2.5 million) since 1985. Most displaced families are reintegrating into urban settings from a rural environment. One of USAID's most successful activities enables IDPs to regain or obtain income-generating opportunities through training in basic business practices such as accounting, finance, and basic market studies. The program has had particular success in involving the private sector and has established public/private partnerships. The training programs have led to the job placement of thousands of IDPs and the creation of successful micro and small businesses managed by IDPs. Job creation and skills training is one of the primary strategies in helping IDPs regain financial independence and long-term economic stability. In addition, USAID finances community infrastructure projects such as schools, health centers, water and sanitation systems, roads, and housing. USAID has provided relief to about 1.2 million IDPs since the program began in 2001.

In July 2003, the Colombian Government reached agreement with nine paramilitary groups numbering some 18,000 combatants (roughly 82 percent of the estimated paramilitary combatants in the country) to lay down their arms in exchange for Colombian Government support for their demobilization and reincorporation into Colombian society. In December 2003, two groups were demobilized, one in Medellin totaling 871 former combatants, and one in Cajibío (Cauca), totaling 155. Negotiations are ongoing with the remaining groups. The current estimated costs for complete demobilization of all illegal armed groups in Colombia (including the country's two largest groups, the Colombian

Revolutionary Armed Forces or FARC and the National Liberation Army or ELN) is between \$254 to \$298 million. The projected shortfall that the Colombian Government will look to the international community to fill is estimated at \$138 - \$182 million. USAID has provided planning assistance to the Office of the High Commissioner for Peace, and subject to the resolution of legal policy and funding issues, is prepared to deepen and broaden assistance to the Colombian Government in this critical area. A broad, comprehensive demobilization and reincorporation program would provide tangible benefits by eliminating a significant source of human rights violations and creates potential for the future demobilization and reincorporation of other illegal armed groups.

**Bolivia.** In CY 2003, USAID/Bolivia provided \$10 million in FY 2003 and \$8 million in FY 2004 ESF funds as cash transfers to meet Government of Bolivia obligations with International Financial Institutions. This served to relieve pressure on the government's fiscal situation and encouraged other donors to follow suit. USAID/Bolivia refocused at least \$12 million in its current program to initiate a series of ultra fast activities in the conflict areas of El Alto and the altiplano, enabling temporary jobs, improved roads and schools, and expanded health services. This shows that the Government of Bolivia and the United States Government are attentive to the problems of neglected areas, and is providing political space for the Mesa administration to advance needed economic and social reforms. USAID will continue to implement quick impact, high visibility activities designed to demonstrate the responsiveness of the Mesa Government and its concern for the economic inequities in Bolivia. These will be augmented by activities and policies aimed at relieving the social and economic pressures in Bolivia and helping the Mesa Government address the needs of vulnerable citizens. Support for alternative development will remain strong.

## Alliances

Private investments in Latin America, including contributions from civil society and faith-based organizations, far exceed official development assistance levels. Linking United States Government investments with private investments will assure a greater impact for both, as was articulated by President Bush at the Monterrey Conference last year. The Global Development Alliance and the Development Credit Authority (DCA) are exciting business models by which USAID has given U.S. resources much greater impact by partnering with businesses, municipalities, universities, and philanthropic groups. Key alliances in LAC include working with coffee companies and small-scale producers to address the crisis in this sector, cutting-edge work on remittances, and a new alliance for the chocolate industry. Using DCA authority to provide guarantees to microfinance institutions, commercial banks, rural savings and loans, and municipalities, USAID leveraged more than \$30 million in private capital in 2002.

## Management

LAC is undertaking mission management assessments to make informed decisions on ways to work smarter, reduce the process workload, and ensure Operating Expense and staff allocations respond to Bureau priorities. Four mission management assessments were completed in 2003, resulting in measures to improve efficiency by consolidating financial management and other support services in four LAC missions to serve 16 country programs. This year we plan to conduct seven more mission management assessments, thereby fulfilling the LAC Bureau's mandate, and we will continue to follow through on recommendations from earlier assessments. By responding to initiatives in the President's Management Agenda, including Strategic Management of Human Capital, USAID is maximizing the impact of foreign assistance. USAID Administrator Andrew Natsios recently approved staffing levels to better allocate staff in overseas missions and ensure best use of personnel. Steps will be taken to begin the process of implementing the Agency's Direct Hire staffing template while adhering to the spirit and intent of the FY 2004 Appropriations Bill. Furthermore, we will finalize the regional services platform for Central America and more thoroughly analyze the options for South America.